

The Damages Trap

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Ten years after the United States Patent and Trademark Office (USPTO) adopted its 1996 guidelines for examining computer related inventions (Guidelines) the damages trap continues to be a concern when determining patent damages. The Guidelines were adopted in response to several Federal Circuit decisions culminating in *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995) and permitted computer readable media, such as floppy disks, CD-ROMs, etc., to be claimed as articles of manufacture if they embody computer code for causing a computer to implement an inventive process and resulted in a significant increase in the number of computer program product claims. Hereafter, such a claim is referred to as a "computer program product claim." A computer program product claim is directly infringed by a person who makes, uses, or sells a computer program product. In contrast, a software process claim is directly infringed only by those who actually perform the inventive process, *e.g.*, by the person who operates a computer that executes the software stored on the computer program product. A benefit of having a computer program product claim is that a software developer who sells software stored on a computer program product can be liable for direct infringement of the computer program product claim.

The computer program product damages trap is still a significant concern. The damages trap occurs because while the addition of computer program product claims can increase the number of direct infringers of a patent, the assertion of the computer program product claims may actually decrease the damages to which the patentee is entitled, unless the computer program product is properly marked under 35 U.S.C. § 287(a).

Section 287(a)

Section 287(a) states that patentees "may give notice to the public that the [article] is patented, either by fixing thereon the word 'patent' or the abbreviation 'pat.', together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter...."

The Supreme Court has held that the purpose of section 287(a) is to provide information to the public concerning "the status of the intellectual property embodied in an article of manufacture or design." *Bonito Boats, Inc. v. ThunderCraft Boats, Inc.*, 489 U.S. 141, 168 (1989). Damages begin to accrue against an infringer either: (1) after the patentee and all licensees properly mark substantially all of the patented articles; or (2) after the patentee accuses the infringer of infringement. Accordingly, compliance with the section 287(a) marking requirements from the day the patent issues maximizes the accrued damages for infringement of a patented article. In contrast, when a patentee only asserts infringement of process (method) claims, no marking is required, and damages automatically accrue against infringers performing the patented process from the patent's issue date. The Federal Circuit held that actual notice to an infringer is not required and the "recovery of damages is not limited where there is no failure to mark, *i.e.*, where the proper patent notice appears on products or where there are no products to mark." *Texas Digital System, Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002), *cert denied* 538 U.S. 1058 (2003), citing *Wine Railway Appliance Co. v. Enterprise Railway Equipment Co.*, 297 U.S. 387 (1936).

However, when a patentee asserts both apparatus claims and process claims from a single patent and the patentee manufactures an article covered by the patent, the patentee must comply with the section 287(a) marking requirements in order for damages to accrue from the patent issue date for either the apparatus claims or the process claims. The Federal Circuit reasoned that "[w]here the patent contains both apparatus and method claims ... to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so if it intends to avail itself of the constructive notice provisions of section 287(a)." *American Medical Systems Inc. v. Medical Engineering Corp.*, 6 F.3d 1523, 1538-39 (Fed. Cir. 1993). The Federal Circuit went on to hold that "once marking has begun it must be substantially consistent and continuous in order for the party to avail itself of the constructive notice provisions of" section 287(a). *Id.* at 1537.

Applying Section 287(a) to a Patent Having a Computer Program Product Claim

Traditionally, software inventions are claimed as computer implemented processes and as computers implementing a process, i.e., as process claims and apparatus claims, respectively. Since, typically, patentees who develop software do not also manufacture computers, i.e., the claimed apparatus, they are under no obligation to comply with the section 287(a) marking requirements since there is no article that the patentee can mark. However, if the patentee takes advantage of the Guidelines by including a computer program product claim, the patentee's duties under section 287(a) change. If the patent includes a computer program product claim, and the patentee's product that contains the patented process is delivered on a computer program product (floppy disk, optical storage device, etc.), then the computer program product is a patented article and is subject to the marking requirements of section 287(a). The patentee must mark the computer program product in order for damages to begin accruing based upon infringement of either the computer program product claim or any process claims. That is, by adding and asserting a computer program product claim, the patentee may reduce the amount of damages for which an infringer is liable, if the manufactured computer program products do not comply with the section 287(a) marking requirements.

How to Mark a Computer Program Product Under Section 287(a)

In order for a patented article to give constructive notice to an infringer, section 287(a) requires that the word "patent" or "pat." together with the patent number be fixed on the article or "when, from the character of the article, this can not be done," a label having the same information be fixed to the patented article, or to a package that contains the patented article. The determination as to when marking is permitted on a package containing the patented article as opposed to the patented article itself has been the subject of considerable controversy. As a general rule, marking the package containing the patented article satisfies section 287(a) "if there is some reasonable consideration presented for not marking the article due to physical constraints or other limitations." *Rutherford v. Trim-Tex, Inc.*, 803 F.Supp 158 (N.D. Ill. 1992). For example, marking the packaging, and not the patented article itself, has been held to satisfy the requirements of section 287(a) when: (1) the patented article was too small to be marked; (2) there would be a significant burden of adding markings to the patented article; (3) the patented article would be defaced by direct marking; or (4) the custom of the trade was to mark only the packaging.

Although section 287(a) is generally construed liberally, if the patented article has any markings or printing thereon, then the patented article must be marked. "Where the patented article has markings or printing on it, other than the appropriate patent marking, then the alternate form of patent marking on the package is not sufficient compliance with [section 287(a)]." *Rutherford*, at 1870. Therefore, if the computer program product is manufactured such that the name of the software developer, the name of the product, or even a product logo appears on the computer program product, then the marking requirements of section 287(a) are satisfied only if the patent notice information is fixed on the computer program product. Accordingly, if non-patent markings appear on the computer program product, then merely marking the packaging or the manual that accompanies the patented computer program product does not satisfy section 287(a).

Conclusion

The number of patents that have issued with computer program product claims has increased significantly over the last several years. While patents having a computer program product claim may increase the number of direct infringers, the price for obtaining and asserting such a claim includes being subject to the marking requirements of section 287(a). While patentees not having a computer program product claim could accrue damages from the patent issuance date, patents having a computer program product claim must comply with the section 287(a) marking requirements in order to provide constructive notice to infringers. Accordingly, a patentee who receives a patent having a computer program product claim should ensure that all computer program products that are sold after the patent issues comply with the section 287(a) marking requirements in order to provide constructive notice to infringers and to, thereby, maximize patent infringement damages.

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